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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
DIVISION OF INFORMATION

MAINTAINING CORN-HOG ADJUSTMENT IN 1935

This material has been prepared for reference use by corn-hog committeemen and extension workers in conducting educational meetings in connection with the referendum on adjustment plans for 1935.

TIME TO TAKE STOCK

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The time has come for the corn-hog producers of this country to take stock of the situation and decide their course for the next year. They have about finished their emergency job of eliminating surpluses. By the end of 1934, livestock numbers will be substantially below the level of recent years.

The next job is to see that the ground thus gained is not lost through a return to excessive levels of production.

In order to learn definitely what the corn-hog growers of this country want to do to follow up the 1934 corn-hog program, the Agricultural Adjustment Administration has asked corn-hog control associations to hold a large number of discussion meetings among contract signers during early October. The production control associations, formed during the past year, now provide a means never before in existence by which farmers may express their wishes. The Administration hopes that each contract signer can be present and share in the discussion at his own local meeting.



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SUMMARY OF THE CURRENT SITUATION AND OUTLOOK

Feed supplies are unusually short.—Supplies of feed grains, small grains, and hay per farm animal in 1934-35 are the smallest in many years. Material adjustments in livestock numbers have occurred since a year ago as a result of the severe drought and the various programs conducted by the Agricultural Adjustment Administration, and these adjustments have eased the livestock-feed situation, but because of low yields per acre, total feed supplies will be below normal.

High feed prices now prevail.—Because feed supplies are short, feed prices have advanced sharply since late spring and somewhat more rapidly than livestock prices.

Heavy feed crop production likely in 1935.—If no control program is in effect next year, overexpansion of both acreage and production of corn, our principal feed grain, may be expected.

1934 situation similar to 1894.—In 1894, as in 1934, farmers harvested an abnormally small crop of corn. In 1895 farmers planted an additional 10,410,000 acres and corn yields were 2 bushels per acre above average. The price of corn in 1895 fell to 25 cents per bushel, as compared with the price of 45 cents per bushel the year before. By 1897 hog production had been greatly stimulated. In other years of severe drought since 1866 farmers likewise have materially increased their corn acreage and the yield per acre has returned to normal or better. Acreage and production of other feed grains also has tended to increase.

Livestock numbers, however, are materially reduced.—Probably not more than 50 million hogs, or 20 million head fewer than the annual average of recent years, will be fed for slaughter in 1935. As hogs normally consume between 40 and 50 percent of the total corn crop, this means feed needs in 1935-36 will require the planting of less than the average acreage to feed grains. Livestock feed requirements are being further reduced by the purchase of at least 7 million head of cattle under the Government's present buying program.

Big corn crop may create new livestock surpluses.—In view of the smaller livestock requirements, an average or larger-than-average corn crop in 1935 would mean a surplus of corn and low feed prices. Thus, livestock prices would be high in relation to feed prices, which undoubtedly would stimulate a substantial increase in livestock production, particularly of hogs. This would mean much lower livestock prices along in 1936 or 1937.

Some control seems desirable in 1935.—A moderate increase in hog numbers and somewhat larger plantings of hay, pasture, and forage crops will be desirable in 1935 to offset effects of the drought, but demand conditions now prevailing do not warrant a material increase in livestock production, particularly of hogs. Assuming normal or near normal yield, a total corn acreage about equal to the area planted in 1934 will provide plenty of corn for the needs that will exist. An excessive increase can be prevented by some definite program under the Agricultural Adjustment Act, which, in 1935 will center on control of the acreage planted to corn, the principal feed grain. Livestock numbers depend primarily on supplies of available feed.

Farmers to talk of plans at local meetings.—Meetings of 1934 corn-hog contract signers are being called all over the United States, at which the present situation and the outlook will be explained and at which a vote of the signers will be taken with respect to a program to follow the corn-hog contract which will be completed on December 1, 1934. Be sure to attend your local meeting.

MAINTAINING CORN-HOG ADJUSTMENT IN 1935

The 1934 crop year in the principal grain and livestock producing areas is drawing to a close. Farmers already are thinking about crop schedules for the coming year. It is time to consider the question as to whether or not a production control program will be needed to follow the 1934 corn-hog contract. If so, what kind of a program will be most feasible?

Substantial progress has been made during the past year toward striking a balance between corn-hog production and effective demand that will restore the parity prices defined in the Agricultural Adjustment Act. The total cost to packers of hogs killed under Federal inspection during the first 8 months of 1934, including processing taxes due, out of which 1934 hog reduction payments are made, was between \$95,000,000 and \$100,000,000 larger, or about 35 percent larger than for the corresponding period in 1933. In pounds of live weight, inspected hog slaughter has been about 12 percent smaller than a year ago, but the average total cost per hundred weight, including the processing tax, has been \$5.92 or 55 percent larger. This comparison does not include a similar increase on slaughter not under Federal inspection.

Corn prices at the farm since the first of the year have averaged about 53 cents per bushel or over 50 percent higher than a year ago.

Can farmers now hold the gains made during their first year of adjustment? The advent of the drought has hastened the elimination of livestock surpluses, but it has brought certain serious temporary problems in providing adequate supplies of feed this coming winter. Will there be a tendency in the spring of 1935, on that account, to over-plant for crop production without some kind of a control program?

AN ABNORMALLY SMALL SUPPLY OF FEED ON HAND

In charting a practicable course for 1935, it is important first to analyze the factors in the present situation and to consider future prospects.

The present situation is characterized by abnormally small supplies of feed and by a large and rapid adjustment in livestock. The indicated production of corn for the United States in 1934, as of September 1, was 1,485,000,000 bushels as compared with an average annual production of 2,600,000,000 bushels in recent years. Production of hay and other feed grains also is down to a similar extent. As a result, the feed grain supply per farm animal for 1934-35 will

be slightly more than four-fifths of 1933-34 and about 70 percent of the 5-year (1929-33) average. The hay crop will be slightly above two-thirds of the 5-year average.

The severe drought, of course, is primarily responsible for the marked reduction in feed supplies. Under the 1934 corn-hog contract, a total of about 12,656,000 acres of land or about 12 percent of the 1932-33 average for the United States were held out of corn production.

Out of the drop of over 1,000,000,000 bushels in the total corn crop this year, however, only about 200 to 250 million bushels—the equivalent of about 13 million acres at the current low average yield per acre—are attributable to the corn-hog contract. This relatively small reduction is being offset to some extent by utilizing for hay and forage the crops planted on the contracted acres. When drought is so severe as it was this year, a rather considerable change in acreage is not a major factor in the decline from the normal production level. If yields this year had been normal, however, the planting of 13 million more acres than were planted would have resulted in an excessive production of corn.

NUMBER OF LIVESTOCK BELOW AVERAGE

As with supplies of feed, there has been a marked change in the livestock situation since last year. The number of hogs slaughtered during the 1934-35 marketing year, beginning October 1, likely will be at least 30 percent under the average of the past several years. By next January 1, there probably will be between 10 and 15 percent fewer cattle and between 8 and 10 percent fewer sheep than a year ago.

The adjustment in hogs is due primarily to the hog reduction provisions of the 1934 corn-hog contract, and the purchases of both live animals and cured products for relief purposes during the fall and winter of 1933-34. Some of the adjustment in hog numbers also is due to the fact that nonsigners as well as contract signers reduced farrowings when the ratio between corn prices and hog prices became unfavorable to hog feeding.

The present adjustment in cattle numbers is being accomplished primarily by the Government purchase of at least 7,000,000 head of animals from the drought areas. It seems likely that we will go from the top to near the bottom of a cattle-production cycle in 1 year's time whereas in the past the duration of this phase of the cycle has been 7 or 8 years. This liquidation is primarily for the purpose of conserving meat animals for which there is not sufficient feed but it is in line with the program of adjustment necessary to restore a better balance between supply and demand in the cattle industry.

An adjustment of between four and six million head, or of about 8 to 10 percent, also will be made in sheep numbers under the Government's sheep-buying program.

OLDER FARMERS RECALL 25-CENT CORN IN 1895

These adjustments in livestock numbers and the emergency utilization of the contracted acres of corn land for hay and forage crops

are helping to offset the effects of the drought on yields. The supply of grain and hay this coming winter and spring will be greater per farm animal than it otherwise would have been, although it will be less than three-fourths of normal.

Because supplies are short, prices of all kinds of feeds have been advancing sharply since late spring and somewhat more rapidly than livestock prices. This situation is placing a premium on feeds and is setting the stage for a big expansion in feed crops acreage in 1935.

Many of the older farmers today will recall the situation which developed in 1895, following the severe drought year of 1894. In 1894 the production of corn per acre for the United States was cut nearly one-fourth by dry weather. In 1895 farmers responded by planting over 10 million additional acres to corn. The yield per acre went to 2 bushels per acre above average. As a result, farmers in the fall of 1895 harvested over two and one-half billion bushels and the price of corn by December 1 had fallen to 25 cents per bushel. In 1896 farmers again planted a large area to corn and the yield was 4 bushels above average. As might have been expected, hog production by 1897 and 1898 had been greatly stimulated, and hog prices were lower than they had been in 1894.

CORN YIELDS INCREASED FOLLOWING PAST DROUGHT YEARS

Production, of course, is determined by yield as well as area planted, so it is important to consider yield expectations in 1935. A study of production following severe drought years shows that the yield of corn was higher in each instance, with an average increase from 19.6 bushels to the normal average of about 27 bushels per acre. The yield of both barely and oats also was higher in 2 out of 3 seasons following the years of unusual drought.

These data indicate that the harvested yield of feed crops for any given year apparently is not closely related to the harvested yield in the preceding year. The reasonable expectation in 1935 should be normal yields on acres planted.

Assuming normal or near normal yields in 1935, what acreage of corn would be sufficient to supply the commercial demand and to feed the existing numbers of livestock, plus the numbers of new livestock, that it will be advisable to produce by the end of the 1935-36 season?

As has been stated, it appears that the total hog slaughter in the United States during the marketing year just beginning probably will be at least 30 percent under the average of 1932-33. The reduction of between 10 and 15 percent in cattle numbers also will tend to reduce the supply of corn required for cattle feeding. Furthermore, the shortage of feed this fall would prevent heavy breeding of hogs for the United States as a whole next spring, regardless of control programs. Thus it appears that the production of corn in this country in 1935 can be about 350,000,000 bushels under the average of recent years and still be "normal." At average yields, about 90,000,000 acres would produce sufficient corn for all needs in 1935-36. This would be about 15,000,000 acres less than the 1932-33 average of 105,500,000 acres.

FARM STORAGE PLAN SUGGESTED

Farmers of the United States, of course, will want to plant to feed grains in 1935 an acreage sufficient to meet all requirements, with some allowance for adverse weather, and to build up reasonable reserves of hay and grain feeds. For this reason it probably would not be desirable to attempt to hold corn acreage too close to the minimum of around 90,000,000 acres. A "contracted" area in the neighborhood of 10,000,000 acres, rather than 15,000,000, probably would suffice.

As a means of handling any surplus production that might result from the 1935 corn crop and as an additional form of compensation for participation in a production-control program in 1935, it has been suggested that a farm-storage plan should be made available to cooperating farmers for the fall of 1935. Government loans on corn placed under warehoused seal could be provided for as much as 350,000,000 bushels. Any loan program, of course, should be flexible enough to absorb smaller or larger quantities, depending upon the size of the crop.

There is a particularly close relationship between hog production and corn production over both short and long periods. Over a period of years a change of about 1 percent in corn production has been followed by a corresponding change of about 1 percent in the number of hogs slaughtered under Federal inspection. Moreover, changes in corn production are closely associated with changes in the weight per hog marketed through the following year.

EXCESSIVE CORN STIMULATES LIVESTOCK PRODUCTION

The year-to-year changes in cattle numbers are not as closely related as hogs to the yearly changes and trends in feed grain production due largely to the importance of pasture and roughage in our national cattle production and to the length of time required to increase and decrease cattle production. However, the total tonnage of beef and veal production in the Corn Belt, which represents about one-half of the total for the country, is influenced materially by the production and price of feed grains.

It is because of this rather close relationship between livestock production, particularly of hogs, and feed-grain production, particularly of corn, that corn-hog farmers need to consider carefully the prospects for excessive plantings in the spring of 1935.

Excessive plantings of feed grains inevitably will result in heavy livestock production and low livestock prices as well as in low feed-grain prices. In fact, low feed-grain prices are the usual stimulus for increasing livestock numbers rather than for decreasing the feed-crops acreage.

A moderate expansion in hog production to offset the effects of the drought may be desirable over the next several years, but there is little likelihood of an increase in foreign outlets for livestock products which would justify any material increase in livestock numbers. Foreign demand remains at a low level.

Briefly, it appears advisable to consider some kind of a program in 1935 primarily to maintain feed production at such a level as

will prevent an excessive expansion in livestock numbers a year or two hence.

The simplest program for controlling corn and hog production in 1935 would be a straight corn-land rental plan, under which about the same number of acres would be held out of corn production by contract signers in 1935 as were held out in 1934. It has already been pointed out that hog production is rather effectively controlled by the level of feed production.

Most corn-hog contract signers with whom it has been discussed, however, feel that some control over hog production also is desirable in 1935, partly to prevent undue increases in individual cases or in certain areas where plenty of feed will be available and partly to further the purpose of the Adjustment Act in raising hog growers' income toward parity levels. If hog-control provisions and benefit payments are included in any program for 1935, the amount of money required to be raised from processing taxes would be somewhat larger than under a straight corn-land rental plan.

Another suggested plan for following the 1934 corn-hog program is to put all cash grain and feed grain crops under a single contract. Undoubtedly, it is not too soon to begin consideration of a general feed grains-small grains program to run through several years, but there is hardly sufficient time to develop properly a plan of this sort for the 1935 crop year.

DECISION WILL BE MADE BY FARMERS

Most corn-hog contract signers undoubtedly are thinking about the problems ahead. Before attempting to develop suitable plans, however, the Agricultural Adjustment Administration desires to obtain the views of as many farmers as possible on what should be done. For this purpose a series of local meetings will be conducted in all of the corn- and hog-producing areas of the United States during the month of October, at which the 1935 outlook will be discussed and an expression of opinion concerning the general outline of future programs under the Agricultural Adjustment Act will be obtained.

Through the production-control associations formed within the past year farmers may now speak for themselves more effectively than ever before. If there is to be a production-control plan for 1935, it is important to complete the polling of contract signers as soon as possible in order that the contract may be drawn up and presented promptly this fall to all producers. With 1 year's experience now behind them and with effective organizations already established, farmers during the coming year should be able to carry out any control plan with the minimum of delay and expense.

Whatever is finally developed to follow the 1934 corn-hog contract, the Agricultural Adjustment Administration now, as in the past, will be guided by the prevailing opinion among corn-hog producers themselves.

Questions To Be Voted Upon By Signers Of 1934 Corn-Hog Contracts At County Or Community Meetings

1. Do you favor an adjustment program dealing with corn and hogs in 1935?

This question relates to the principle of production adjustment and does not involve an expression of opinion concerning any specific program. In any program dealing with corn and hogs in 1935, benefit payments would not be the same as they were in 1934; 1935 benefits would probably be somewhat larger for corn and materially less for hogs than were paid under the 1934 contract. A 1935 program would probably follow the general plan of the 1934 program and would include benefit payments on both commodities. Contracted acres could be used for any hay, pasture, forage, fallow, or woodlot purpose without restriction. Basic crops would not be produced upon contracted acres. The percentage of adjustment from the 1932-33 base production would not be greater than that required in the 1934 program and maybe less.

2. Do you favor a one-contract-per-farm adjustment program dealing with grains and livestock to become effective in 1936?

It has been frequently suggested that a program be developed which will bring all grains under one contract. Such a program would involve the six grain crops named as "basic" in the Agricultural Adjustment Act—that is, wheat, barley, rye, corn, grain sorghums, and flax. It would represent a shift from several single-crop contracts to a broad program of developing better systems of farming through less intensive use of land, conservation of soil resources, and use of the land for production of those crops for which it is best adapted. A one-contract-per-farm program could provide the desired degree of control over the combined acreage of the several crops involved and yet be flexible enough to permit as much freedom of action on the part of cooperating farmers as is consistent with the objective of maintaining the proper balance between production and effective demand. A one-contract-per-farm program would be financed by processing taxes on grains and livestock and might or might not include the direct control of livestock. There is not time to develop this kind of a program for presentation to producers this fall, but it has been suggested that such a program be developed for 1936 and after.